



**Testimony of AARP in Support of
H.B. 5337— AN ACT ESTABLISHING A TASK FORCE TO EVALUATE THE UTILITY
OF CREATING A PUBLIC RETIREMENT PLAN
March 6, 2012**

AARP is a nonprofit, nonpartisan organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. On behalf of our nearly 600,000 Connecticut members, we are pleased to offer AARP's support for H.B. 5337, which would establish a task force to study creating a public retirement savings vehicle.

A major priority for AARP is to improve access, coverage and adequacy of pensions and other retirement saving vehicles. Statistics show that employees who save through an employer-provided retirement plan generally fare better in retirement than those who have no such plan; yet only about 50 percent of workers have a retirement plan available at work, despite numerous efforts over the past thirty years to expand retirement plan coverage and participation. In light of an aging population, the disappearance of guaranteed pensions in the private sector, low or negative savings rates, and the drumbeat of negative news about the long-run solvency of the Social Security system, the time is right for something different.

AARP in Connecticut has supported the creation of a state-assisted savings program in the past. The concept of state assisted savings is a relatively new approach to broaden coverage and would make 401(k)-type plans available to small private-sector employers and their workers who now lack such plans. It could be administered through the state retirement system, with services (e.g., investment advice and reporting) provided by the same businesses that now performs them for employers' 401(k) plans. Its low costs, transparent fee structure, and limited administrative burden would appeal to employers that cannot afford to offer a conventional plan. Its low fees and automatic payroll deductions would make saving for retirement more attractive to low- and moderate-income workers, who are most in need of help in paying for retirement. Though no state has as yet instituted such a plan, several are actively exploring its possibilities.

The experience with recent state proposals on the introduction of state-assisted savings instruments should be carefully studied. AARP strongly encourages Connecticut to pursue state-assisted savings programs. AARP would also be happy to serve on the taskforce looking into the issue and offer our policy expertise and the shared experiences of our state offices across the country. House Bill 5337 would provide a vehicle to thoroughly exploring the the creation of retirement savings opportunities such as state assisted savings.